

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Mesick	County Wexford
Audit Date 2/28/05	Opinion Date 5/27/05	Date Accountant Report Submitted to State: August 9, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) BAIRD, COTTER AND BISHOP, P.C.			
Street Address 134 W. HARRIS STREET	City CADILLAC	State MI	ZIP 49601
Accountant Signature 		Date 8/9/05	

VILLAGE OF MESICK, MICHIGAN

FEBRUARY 28, 2005

VILLAGE OF MESICK, MICHIGAN

FEBRUARY 28, 2005

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CERTIFIED PUBLIC ACCOUNTANTS

May 27, 2005

INDEPENDENT AUDITORS' REPORT

To the Village Council
Village of Mesick, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Mesick, Michigan, as of and for the year ended February 28, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Mesick, Michigan, management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Mesick Michigan, as of February 28, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages iii through xii and 22, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepting in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Mesick, Michigan, basic financial statements. The individual fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

VILLAGE OF MESICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED FEBRUARY 28, 2005

Management's Discussion and Analysis

The management of the Village of Mesick, Michigan ("the Village") offers this narrative overview and analysis of the financial activities of the Village for the fiscal year ended February 28, 2005 for the benefit of the readers of these financial statements. This management's discussion and analysis is intended to assist the reader in focusing on significant financial issues and to provide an overview of the Village's financial activity. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

Financial Highlights

Government-Wide

- ❖ The assets of the Village exceeded its liabilities at the close of this fiscal year by \$970,894 (shown as *Net Assets*), representing an increase of \$16,600 over the previous fiscal year. Governmental Funds represented \$(6,951) of this increase, while Business-Type activities accounted for \$23,551 of the increase.

Fund Level Financial Highlights

- ❖ As of February 28, 2005, the governmental funds of the Village of Mesick reported combined ending fund balances of \$488,636, of which all is unreserved.
- ❖ The unreserved fund balance of the Village's General Fund decreased this year by \$49,500.

Long-Term Debt

- ❖ The Village of Mesick's total debt **decreased** by \$10,000 during the fiscal year.

Overview of the Financial Statements

The Village of Mesick's financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements This report includes government-wide statements as required by GASB Statement Number 34. The *government-wide financial statements* are designed to provide a broad overview of the Village's financial position. The Statement of Net Assets and the Statement of Activities are two financial statements that report information about the Village as a whole, and provide measurements of long-term trends. They are presented using a method of accounting that is similar to a private-sector business.

The *Statement of Net Assets* (Page 1) presents information on all of the Village's assets and liabilities, the difference between the two being reported as the Net Assets of the Village. Over time, increases or decreases in net assets can serve as a useful indicator of whether the financial

VILLAGE OF MESICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED FEBRUARY 28, 2005

position of the Village is improving or deteriorating. An increase in net assets would indicate an improvement in financial condition. On the other hand, a consistent decrease over time in net assets may indicate a decline in the financial health of an organization.

The *Statement of Activities* (Page 2) gives the information on the revenues and expenses causing the underlying change in the government's net assets during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows.

Both of these statements distinguish functions of the Village that are principally supported by property taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). Governmental activities of the Village include general government, public safety, major and local streets, public works, culture and recreation. Business-type activities of the Village include water utility services.

Focus on Funds

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus has shifted, however, to Major Funds, rather than the previous focus on fund types. The Village's major Governmental Funds include the General Fund, Major Street Fund, and Local Street Fund. The major Proprietary Funds include the Water Fund. Presentation of major funds can be found on pages 23-37 of this document.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Each fund is operated similar to a completely separate entity, with its own set of balancing accounts. The Village of Mesick uses fund accounting to ensure compliance with finance-related legal requirements. There are three basic types of funds: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds Many of the Village's basic services are reported in the governmental funds. Governmental funds account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This is known as the modified accrual system of accounting. Under this reporting system, capital items, debt payments and certain other items are treated differently than on the government-wide statements. These items are recorded in the governmental fund statements on the Statement of Revenues, Expenditures and Changes in Fund Balance as an expenditure. No depreciation is recorded on capital items. The balance sheet for governmental funds does not include any capital items or long-term debt. Governmental funds for the Village include the General Fund as well as the special revenue funds.

VILLAGE OF MESICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED FEBRUARY 28, 2005

Proprietary Funds Proprietary funds account for services for which the Village charges its customers for the services they are provided. These charges can be to external customers or other agencies within the Village.

- Enterprise funds are used to report business-like activities of the Village. These activities intend to recover the full cost of the services through the fee charged to the customers. The Village has one enterprise fund, which is the Water Fund.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These funds are not reflected in the government-wide financial statements because the resources of the funds are not available for supporting the Village's programs. These funds are accounted for using the full accrual method of accounting, much like the Proprietary funds.

Notes to the Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements. The notes can be found beginning on Page 11 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements. This information can be found beginning on Page 41 of this report.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Village's financial position over time. The Net Assets of the Village are \$970,894 at February 28, 2005, meaning that the Village's assets were greater than its liabilities by this amount. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

VILLAGE OF MESICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED FEBRUARY 28, 2005

Village of Mesick
Net Assets

	Governmental Activities	Business-Type Activities	Total Primary Government
Current and other assets	\$ 489,804	\$ 201,465	\$ 691,269
Capital Assets	<u>162,372</u>	<u>355,663</u>	<u>518,035</u>
Total Assets	\$ <u>652,176</u>	\$ <u>557,128</u>	\$ <u>1,209,304</u>
Long-term liabilities	0	\$ 222,242	\$ 222,242
Other liabilities	<u>1,168</u>	<u>31,346</u>	<u>32,514</u>
Total Liabilities	\$ <u>1,168</u>	\$ <u>253,588</u>	\$ <u>254,756</u>
Net Assets			
Invested in capital assets			
net of related debt	162,372	118,421	280,793
Unrestricted	<u>488,636</u>	<u>195,534</u>	<u>684,170</u>
Total Net Assets	\$ <u>651,008</u>	\$ <u>313,955</u>	\$ <u>964,963</u>

The most significant portion of the Village's Net Assets amounts to \$684,170 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Village policies regarding their use. The remaining of the Village's Net Assets is the investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the Village used to acquire or construct the asset.

The total net assets of the Village increased \$10,669 in this fiscal year, which is a good indicator that the Village experienced positive financial growth during the year. As a result, the Village ended the fiscal year in better condition than when the year started.

The following table illustrates and summarizes the results of the changes in the Net Assets for the Village. The condensed information was derived from the Government-wide Statement of Activities.

VILLAGE OF MESICK

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2005

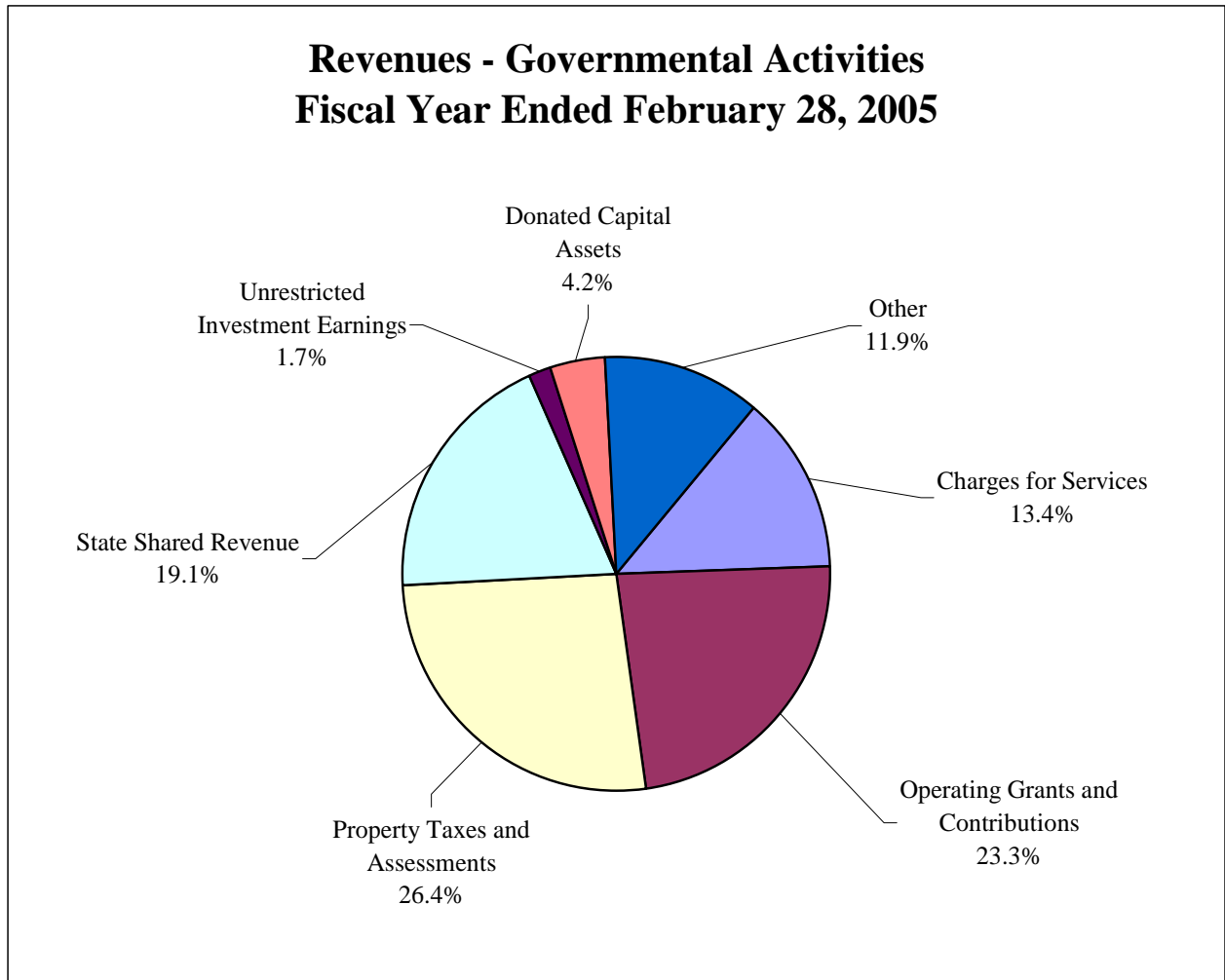
Village of Mesick
Change in Net Assets

	Governmental Activities	Business-Type Activities	Total Primary Government
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$ 32,255	\$ 89,902	\$ 122,157
Operating Grants and Contributions	56,171	0	56,171
General Revenues			
Property Taxes and Assessments	63,508	0	63,508
State Shared Revenue	46,017	0	46,017
Unrestricted Investment Earnings	4,241	1,329	5,570
Donated Capital Assets	10,000	0	10,000
Other	28,771	0	28,771
Total Revenues	\$ 240,963	\$ 91,231	\$ 332,194
<u>Expenses</u>			
Legislative	\$ 51,493	\$ 0	\$ 51,493
General Government	83,519	0	83,519
Public Safety	1,840	0	1,840
Public Works	66,224	0	66,224
Recreation and Culture	18,157	0	18,157
Other Functions	26,681	0	26,681
Water	0	73,611	73,611
Total Expenses	\$ 247,914	\$ 73,611	\$ 321,525
Increase in Net Assets	(6,951)	17,620	10,669
Beginning Net Assets	657,959	296,335	954,294
Ending Net Assets	\$ 651,008	\$ 313,955	\$ 964,963

VILLAGE OF MESICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED FEBRUARY 28, 2005

Governmental Activities

The following chart details the revenue sources for the governmental activities of the Village for the fiscal year ended February 28, 2005:



The most significant portion of the revenue for all governmental activities of the Village of Mesick comes from Property Taxes (26.4%). The Village's operating millage remained the same in 2005 at 11 mills. The Village's charter allows the Village to levy up to 11 mills for operations. Due to State statutes, the Village is currently at its maximum tax levy, and is unable to increase the millage without the approval of the voters.

VILLAGE OF MESICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED FEBRUARY 28, 2005

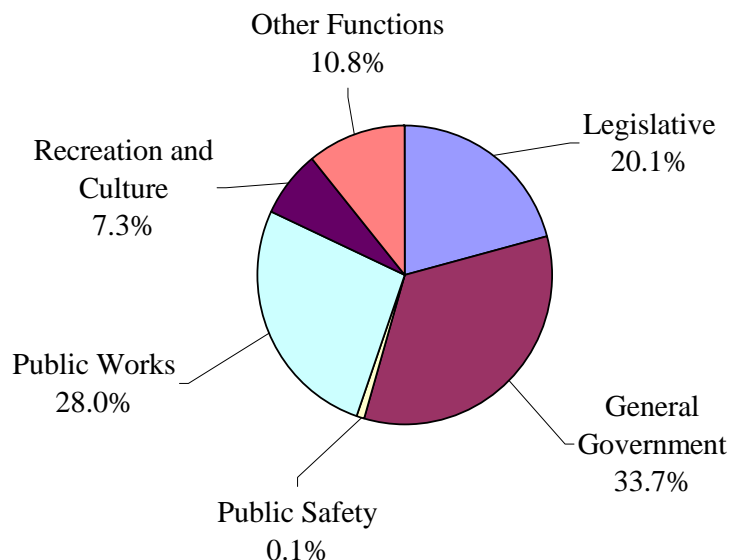
State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax and motor fuel and weight taxes. In 2005, the amount of state shared revenue received by the Village once again trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

Operating grants and contributions is made up of state grants, Act 51 distributions to the major and local streets.

The following chart depicts expenses of the governmental activities of the Village for the fiscal year ended February 28, 2005:

The Village's governmental activities expenses are dominated by the General Government expenses that total 33.7% of total expenses. The Village spent \$83,519 in FY2005 on General Government Expenditures. Public Works represented the next largest expense at \$66,224, or 28% of total expenses within the governmental activities. Expenses in the Major Street Fund (\$28,015) and Local Street Fund (\$25,517) represent a majority of the Public Works expenditures.

**Expenses - Governmental Activities
Fiscal Year Ended February 28, 2005**



VILLAGE OF MESICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED FEBRUARY 28, 2005

Business-Type Activities

The Village's business-type activities accounted for an increase of \$23,551 in the Village's Net Assets for the fiscal year ended February 28, 2005.

The Business-type activities of the Village include the Water Fund, which provides water services to Village residents as well as commercial customers.

Financial Analysis of the Government's Funds

Governmental Activities At the completion of the Village's fiscal year ended February 28, 2005, its governmental funds reported fund balances of \$488,636. Of this amount, 100% is unreserved. This amount includes \$58,375 designated for street improvements, \$8,099 designated for health and welfare. An additional \$422,162 of unreserved and undesignated fund balance exists in the Village's General Fund.

General Fund – The General Fund is the main operating fund of the Village. The General Fund decreased its fund balance in this fiscal year by \$49,500, bringing the balance to \$422,162. Unreserved fund balance decreased by \$49,500. All of the General Fund's major functions with the exception of Culture and Recreation and Other Functions ended the year with expenditures below appropriated amounts.

Major Street Fund – The fund balance of the Major Street Fund ended the year at \$53,515. This was an increase of \$2,299 from the previous year.

Local Street Fund – The fund balance of this fund is at \$4,860, an increase from last year of \$739.

Proprietary Funds The Village's proprietary funds provide virtually the same information as the government-wide statements; however more detail may be found in the fund financial statements.

Water Fund – The Water Fund ended this fiscal year with \$195,534 in unrestricted net assets. There was an overall increase in operating revenues from \$87,757 in 2004 to \$89,902, in 2005 a \$2,145 increase. The net assets of the fund increased by \$17,620 in 2005. This fund remains in sound fiscal condition moving forward.

Capital Asset and Debt Administration

Capital Assets. The Village's investment in capital assets for the governmental and business-type activities as of February 28, 2005 amounted to \$518,035 (net of accumulated depreciation). Capital assets of the Village include any items purchased that cost in excess of \$1,000 and have

VILLAGE OF MESICK

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2005

an expected useful life of over one year. The Village has invested in a broad range of capital assets, as detailed below:

Village of Mesick
Capital Assets as of February 28, 2005

	Governmental Activities	Business-Type Activities	Total
Land	\$ 45,925	\$ 2,706	\$ 48,631
Land and Building Improvements	59,621	0	59,621
Buildings	37,000	1,500	38,500
Equipment	101,347	0	101,347
Water System	0	964,681	964,681
Subtotal	\$ 243,893	\$ 968,887	\$ 1,212,780
Accumulated Depreciation	81,521	613,224	694,745
Net Capital Assets	\$ 162,372	\$ 355,663	\$ 518,035

Additional information regarding the Village's capital assets can be found in the Notes to Financial Statements section on pages 18 and 19.

Long-Term Debt. The Village's debt represents bonds secured solely by specified revenue sources. The revenue bonds are associated with the Water Fund (\$237,242), are backed by revenues from the Water system, and have been used to finance major capital projects within the Water systems.

Village of Mesick Outstanding Debt
Revenue Bonds
as of February 28, 2005

	Governmental Activities	Business-Type Activities	Total
Revenue Bonds	\$ 0	\$ 237,242	\$ 237,242

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation based on the Village's assessed valuation of \$7,250,500 is \$725,050, which is significantly in excess of the Village's outstanding general obligation debt of \$237,242.

VILLAGE OF MESICK
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED FEBRUARY 28, 2005

Contacting the Village's Finance Department

This financial report is designed to provide the wide variety of users of this document with a general overview of the Village's finances and demonstrate the Village's accountability for the money entrusted to it. If you have any questions regarding this report or need additional financial information, please direct your requests to the Village of Mesick, 7329 West M-115, Mesick, MI 49668, or call us at (231) 885-1646.

VILLAGE OF MESICK, MICHIGAN

STATEMENT OF NET ASSETS

FEBRUARY 28, 2005

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS
<u>CURRENT ASSETS</u>			
Cash	\$ 106,283	\$ 91,684	\$ 197,967
Investments	347,365	88,426	435,791
Receivables			
Taxes	13,875	0	13,875
Accounts	0	31,770	31,770
External Parties (Fiduciary Funds)	64	0	64
Internal Balances	10,415	(10,415)	0
Due from Other Governments	11,802	0	11,802
Total Current Assets	\$ 489,804	\$ 201,465	\$ 691,269
<u>CAPITAL ASSETS</u>			
Land	\$ 45,925	\$ 2,706	\$ 48,631
Land and Building Improvements	59,621	0	59,621
Buildings	37,000	1,500	38,500
Equipment	101,347	0	101,347
Water Systems	0	964,681	964,681
	\$ 243,893	\$ 968,887	\$ 1,212,780
Less Accumulated Depreciation	81,521	613,224	694,745
Net Capital Assets	\$ 162,372	\$ 355,663	\$ 518,035
TOTAL ASSETS	\$ 652,176	\$ 557,128	\$ 1,209,304
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Payroll Withholdings and Accrued Expenses	\$ 1,168	\$ 5,931	\$ 7,099
Revenue Bonds Payable-Current Portion	0	15,000	15,000
Total Current Liabilities	\$ 1,168	\$ 20,931	\$ 22,099
<u>LONG-TERM LIABILITIES</u>			
Revenue Bonds	\$ 0	\$ 237,242	\$ 237,242
Less: Current Portion	0	15,000	15,000
Total Long-Term Liabilities	\$ 0	\$ 222,242	\$ 222,242
TOTAL LIABILITIES	\$ 1,168	\$ 243,173	\$ 244,341
<u>EQUITY</u>			
Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$ 162,372	\$ 118,421	\$ 280,793
Unrestricted	488,636	195,534	684,170
TOTAL NET ASSETS	\$ 651,008	\$ 313,955	\$ 964,963

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MESICK, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED FEBRUARY 28, 2005

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR	OPERATING	CAPITAL	GOVERNMENTAL	BUSINESS-TYPE	TOTALS
		SERVICES	GRANTS AND	GRANTS AND	ACTIVITIES	ACTIVITIES	
			CONTRIBUTIONS	CONTRIBUTIONS			
<u>GOVERNMENTAL ACTIVITIES</u>							
Legislative	\$ 51,493	\$ 0	\$ 0	\$ 0	\$ (51,493)	\$ 0	\$ (51,493)
General Government	83,519	30,455	0	0	(53,064)	0	(53,064)
Public Safety	1,840	0	0	0	(1,840)	0	(1,840)
Public Works	66,224	0	56,171	0	(10,053)	0	(10,053)
Recreation and Culture	18,157	1,800	0	0	(16,357)	0	(16,357)
Other Functions	26,681	0	0	0	(26,681)	0	(26,681)
Total Governmental Activities	\$ 247,914	\$ 32,255	\$ 56,171	\$ 0	\$ (159,488)	\$ 0	\$ (159,488)
<u>BUSINESS-TYPE ACTIVITIES</u>							
Water System	\$ 67,680	\$ 89,902	\$ 0	\$ 0	\$ 0	\$ 16,291	\$ 16,291
TOTAL	\$ 315,594	\$ 122,157	\$ 56,171	\$ 0	\$ (159,488)	\$ 16,291	\$ (143,197)
<u>GENERAL REVENUES</u>							
Property Tax and Special Assessments					\$ 63,508	\$ 0	\$ 63,508
State Shared Revenue					46,017	0	46,017
Unrestricted Investment Earnings					4,241	1,329	5,570
Donated Capital Assets					10,000	0	10,000
Other					28,771	0	28,771
Total General Revenues					\$ 152,537	\$ 1,329	\$ 153,866
Change in Net Assets					\$ (6,951)	\$ 17,620	\$ 10,669
<u>NET ASSETS</u> - Beginning of Year					657,959	296,335	954,294
<u>NET ASSETS</u> - End of Year					\$ 651,008	\$ 313,955	\$ 964,963

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MESICK, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

FEBRUARY 28, 2005

	GENERAL FUND	LOCAL STREET	MAJOR STREET	NON- MAJOR FUNDS	TOTALS
<u>ASSETS</u>					
Cash	\$ 55,595	\$ 22,528	\$ 20,061	\$ 8,099	\$ 106,283
Investments	296,729	5,224	45,412	0	347,365
Receivables					
Taxes	13,875	0	0	0	13,875
Due from Other Funds	57,131	0	0	0	57,131
Due from Other Governments	0	0	11,802	0	11,802
TOTAL ASSETS	<u>\$ 423,330</u>	<u>\$ 27,752</u>	<u>\$ 77,275</u>	<u>\$ 8,099</u>	<u>\$ 536,456</u>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Payroll Withholdings Payable	\$ 1,168	\$ 0	\$ 0	\$ 0	\$ 1,168
Due to Other Funds		22,892	23,760	0	46,652
Total Liabilities	<u>\$ 1,168</u>	<u>\$ 22,892</u>	<u>\$ 23,760</u>	<u>\$ 0</u>	<u>\$ 47,820</u>
<u>FUND BALANCE</u>					
Unreserved:					
Designated for:					
Street Improvements	\$ 0	\$ 4,860	\$ 53,515	\$ 0	\$ 58,375
Health and Welfare	0	0	0	8,099	8,099
Undesignated	422,162	0	0	0	422,162
Total Fund Balance	<u>\$ 422,162</u>	<u>\$ 4,860</u>	<u>\$ 53,515</u>	<u>\$ 8,099</u>	<u>\$ 488,636</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 423,330</u>	<u>\$ 27,752</u>	<u>\$ 77,275</u>	<u>\$ 8,099</u>	<u>\$ 536,456</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MESICK, MICHIGAN
GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
FEBRUARY 28, 2005

Total Fund Balances for Governmental Funds		\$	488,636
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Land		\$	45,925
Land and Building Improvements			59,621
Buildings			37,000
Equipment			101,347
Accumulated Depreciation			(81,521)
			<u>162,372</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		\$	<u><u>651,008</u></u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MESICK, MICHIGAN
GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED FEBRUARY 28, 2005

	GENERAL FUND	LOCAL STREET	MAJOR STREET	NON-MAJOR FUNDS	TOTALS
<u>REVENUES</u>					
Taxes	\$ 62,941	\$ 16,022	\$ 40,149	\$ 0	\$ 119,112
Licenses and Permits	652	0	0	0	652
State Grants	46,017	0	0	0	46,017
Interest and Rents	34,212	20	379	1,800	36,411
Other Revenue	60,769	0	0	0	60,769
Total Revenues	\$ 204,591	\$ 16,042	\$ 40,528	\$ 1,800	\$ 262,961
<u>EXPENDITURES</u>					
Legislative	\$ 51,493	\$ 0	\$ 0	\$ 0	\$ 51,493
General Government	143,228	0	0	0	143,228
Public Safety	1,840	0	0	0	1,840
Public Works	12,692	25,517	28,015	0	66,224
Culture and Recreation	18,157	0	0	0	18,157
Other Functions	26,681	0	0	0	26,681
Total Expenditures	\$ 254,091	\$ 25,517	\$ 28,015	\$ 0	\$ 307,623
Excess (Deficiency) of Revenues Over Expenditures	\$ (49,500)	\$ (9,475)	\$ 12,513	\$ 1,800	\$ (44,662)
<u>OTHER FINANCING SOURCES (USES)</u>					
Operating Transfers In	\$ 0	\$ 10,214	\$ 0	\$ 0	\$ 10,214
Operating Transfers Out	0	0	(10,214)	0	(10,214)
Total Other Financing Sources (Uses)	\$ 0	\$ 10,214	\$ (10,214)	\$ 0	\$ 0
Net Change in Fund Balance	\$ (49,500)	\$ 739	\$ 2,299	\$ 1,800	\$ (44,662)
<u>FUND BALANCE</u> - Beginning of Year	471,662	4,121	51,216	6,299	533,298
<u>FUND BALANCE</u> - End of Year	\$ 422,162	\$ 4,860	\$ 53,515	\$ 8,099	\$ 488,636

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MESICK, MICHIGAN
GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED FEBRUARY 28, 2005

Net change in Fund Balance - Total Governmental Funds	\$	(44,662)
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation in the statement of activities.

Depreciation Expense	(14,888)	
Capital Outlay	52,599	37,711

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	(6,951)

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MESICK, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
FEBRUARY 28, 2005

	<u>WATER FUND</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 91,684
Investments	88,426
Accounts Receivable	31,770
	<hr/>
Total Current Assets	\$ 211,880
	<hr/>
<u>CAPITAL ASSETS</u>	
Land and Land Improvements	\$ 2,706
Buildings	1,500
Improvements Other Than Buildings	964,681
	<hr/>
	\$ 968,887
Less Accumulated Depreciation	613,224
Net Capital Assets	\$ 355,663
	<hr/>
TOTAL ASSETS	\$ 567,543
	<hr/> <hr/>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Due to Other Funds	\$ 10,415
Accrued Interest Payable	5,931
Current Portion of Revenue Bonds	15,000
	<hr/>
Total Current Liabilities	\$ 31,346
	<hr/>
<u>LONG-TERM LIABILITIES</u>	
Revenue Bonds Payable (Net of Current Portion)	222,242
	<hr/>
TOTAL LIABILITIES	\$ 253,588
	<hr/>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 118,421
Unrestricted	195,534
	<hr/>
Total Net Assets	\$ 313,955
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 567,543
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MESICK, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
YEAR ENDED FEBRUARY 28, 2005

	<u>WATER FUND</u>
<u>OPERATING REVENUES</u>	
Operating Revenues	\$ 89,902
<u>OPERATING EXPENSES</u>	
Personal Services	\$ 8,211
Supplies	3,045
Repairs	720
Heat, Light and Power	3,392
Equipment Rental	3,832
Depreciation and Amortization	29,579
Employee Benefits	2,674
Miscellaneous	4,115
Total Operating Expenses	\$ 55,568
Operating Income (Loss)	\$ 34,334
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Interest Revenue	\$ 1,329
Interest and Fiscal Charges	(18,043)
Total Nonoperating Revenues (Expenses)	\$ (16,714)
Income (Loss)	\$ 17,620
<u>TOTAL NET ASSETS</u> - Beginning of Year	296,335
<u>TOTAL NET ASSETS</u> -End of Year	\$ 313,955

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MESICK, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED FEBRUARY 28, 2005

	<u>WATER FUND</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 65,215
Cash Payments to Suppliers for Goods and Services	(19,553)
Cash Payments to Employees for Services	(10,885)
Other Operating Income	12,710
	<hr/>
Net Cash Provided (Used) by Operating Activities	\$ 47,487
	<hr/>
Cash Flows from Capital and Related Financing Activities:	
Payment of Revenue Bond	\$ (10,000)
Interest Payments	(12,112)
	<hr/>
Net Cash Provided (Used) for Capital and Related Financing Activities	\$ (22,112)
	<hr/>
Cash Flows from Investing Activities:	
Interest Received	\$ 1,329
	<hr/>
Net Cash Provided (Used) by Investing Activities	\$ 1,329
	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 26,704
	<hr/>
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	153,406
	<hr/>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	\$ 180,110
	<hr/> <hr/>
<u>RECONCILIATION OF OPERATING INCOME</u> <u>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>	
Operating Income (Loss)	\$ 34,334
	<hr/>
Adjustments to Reconcile Operating Income	
To Net Cash Provided by Operating Activities	
Depreciation and Amortization	\$ 29,579
(Increase) Decrease in Current Assets	
Accounts Receivable	(11,977)
Increase (Decrease) in Current Liabilities	
Due to Other Funds	(4,449)
	<hr/>
Total Adjustments	\$ 13,153
	<hr/>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 47,487
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MESICK, MICHIGAN
FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS
FEBRUARY 28, 2005

ASSETS

Cash	\$ 2,055
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LIABILITIES AND NET ASSETS

LIABILITIES

Due to Other Governments	\$ 1,991
Due to Other Funds	64
	<hr/>
Total Liabilities	\$ 2,055

<u>NET ASSETS</u>	<hr/> 0
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TOTAL LIABILITIES AND NET ASSETS	<hr/> \$ 2,055 <hr/>
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The accompanying notes are an integral part of the financial statements.

VILLAGE OF MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Village of Mesick, Michigan, is a general law village incorporated under the General Village Act of 1895. As required by generally accepted accounting principles, these financial statements present all activities of the Village. Entities for which the Village is considered to be financially accountable are called component units. The Village has no component units.

B. Government-wide and Fund Financial Statements

During fiscal year ended February 28, 2005, the Village adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be modified or removed.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially responsible.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital

VILLAGE OF MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2005

requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Village as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Village are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

VILLAGE OF MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2005

The Village of Mesick reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Major Street Fund* is used to account for the financial activity of the streets designated by the State of Michigan as major thoroughfares and for the maintenance contract of the state trunklines.

The *Local Street Fund* receives all local street money paid to the Village by the State, accounts for all construction, maintenance, traffic services, and snow and ice control on all streets classified as local.

The Village of Mesick reports the following major proprietary fund:

The *Water Fund* records financial activity of the well water system which provides water to customers.

Additionally the Village of Mesick reports the following fund types:

The *special revenue funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the Village holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of

VILLAGE OF MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2005

the Water Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

List of Authorized Investments – The Village Treasurer is limited to investments authorized by Act 20 of 1943, as amended, and may invest in the following:

- (a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository of a financial institution. Authorized depositories shall be designated by the Village Board of Trustees at the Board's organizational meeting after each regular election of board members.
- (c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- (d) Repurchase agreements consisting of instruments listed in (a).
- (e) Bankers' acceptances of United States banks.
- (f) Obligations of this state or any of its political subdivisions that at the time of purchase are rated investment grade by not less than 1 standard rating service.
- (g) Mutual funds registered under Investment Company Act of 1940, Title 1 of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by the Village. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share.
- (h) Investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 24.512.
- (i) Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118.

VILLAGE OF MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2005

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. Village taxes are levied and due July 1, and become delinquent after September 14. Village property tax revenues are recognized when they become both measurable and available for use to finance Village operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2004 taxable valuation of the Village of Mesick totaled \$5,665,228, on which ad valorem taxes levied consisted of 11 mills for the Village of Mesick operating purposes.

3. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Land and Building improvements	20
Equipment	5-10
Water System	50

VILLAGE OF MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2005

4. *Long-term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

5. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

6. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. *Budgetary Information*

1. Prior to March 1, the Village Clerk submits to the Village Council a proposed operating budget for all governmental funds for the fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. The Village Council holds a public hearing and adopts a resolution approving the budgets.
3. All transfers of budget amounts between functions within the General Fund and any revisions that alter the total expenditures of any fund must be approved by the Village Council. General Fund expenditures may not legally exceed budgeted appropriations at the major function level. Expenditures in all other governmental funds may not exceed appropriations at the total fund level.

VILLAGE OF MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2005

5. Formal budgetary integration is employed as a management control device during the year for all governmental fund types.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). All appropriations lapse at year end. Budgeted amounts are as originally adopted, or as amended by the Village Council from time to time throughout the year. One budget amendment was made during the year in a legally permissible manner.
7. Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) lapse at year-end and do not constitute expenditures or liabilities because the commitments will generally be reappropriated and honored during the subsequent year.

B. Major funds with expenditures in excess of appropriations were as follows:

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
Recreation and Cultural	\$ 2,500	\$ 18,157
Other Functions	26,024	26,681
Major Street		
Operating Transfer	9,500	10,214

These overages were funded by greater than anticipated revenues in the General Fund.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

At year end, the carrying amount of the Village's deposits was \$630,588 and the bank balance was \$633,332. Of the bank balance, \$583,084 was covered by federal depository insurance and \$50,248 was uninsured and uncollateralized. The carrying amount included \$430,567 of time certificates of deposit which have been classified as investments or restricted assets on the balance sheets.

B. Receivables

Receivables as of year end for the government's individual major funds and nonmajor, including the applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Water and Sewer</u>	<u>Total</u>
Receivables					
Taxes	\$ 13,875	\$ 0	\$ 0	\$ 0	13,875
Accounts	0	11,802	5,224	31,770	48,796
Receivables	\$ 13,875	\$ 11,802	\$ 5,224	\$ 31,770	62,671

VILLAGE OF MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2005

By ordinance, the Village can place substantially all of its delinquent receivables on the tax rolls as a lien against real property. As a result, its uncollectible accounts are virtually nil.

C. Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 3,011	\$ 42,914	\$ 0	\$ 45,925
Capital assets, being depreciated				
Buildings	\$ 37,000	\$ 0	\$ 0	\$ 37,000
Building Improvement	19,725	0	0	19,725
Land Improvements	31,036	8,860	0	39,896
Machinery and Equipment	100,521	826	0	101,347
Total capital assets, being depreciated	\$ 188,282	\$ 9,686	\$ 0	197,968
Less accumulated depreciation for:				
Buildings	\$ 617	\$ 740	\$ 0	\$ 1,357
Building Improvements	4,849	986	0	5,835
Land Improvements	1,326	1,835	0	3,161
Machinery and Equipment	59,841	11,327	0	71,168
Total accumulated depreciation	\$ 66,633	\$ 14,888	\$ 0	\$ 81,521
Total capital assets, being depreciated, net	\$ 121,649	\$ (5,202)	\$ 0	\$ 116,447
Governmental activities capital assets, net	\$ 124,660	\$ 37,712	\$ 0	\$ 162,372

Business-Type Activities

Capital assets, not being depreciated				
Land	\$ 2,706	\$ 0	\$ 0	\$ 2,706
Capital assets, being depreciated				
Buildings	\$ 1,500	\$ 0	\$ 0	\$ 1,500
Improvements other than buildings	964,681	0	0	964,681
Total capital assets, being depreciated	\$ 966,181	\$ 0	\$ 0	\$ 966,181

VILLAGE OF MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2005

Less accumulated depreciation for:

Buildings	\$	1,455	\$	40	\$	0	\$	1,495
Improvements other than buildings		582,190		29,539		0		611,729
Total accumulated depreciation	\$	583,645	\$	29,579	\$	0	\$	613,224
Total capital assets, being depreciated, net	\$	382,536	\$	(29,579)	\$	0	\$	352,957
Business-type activities capital assets, net	\$	385,242	\$	(29,579)	\$	0	\$	355,663

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:		
General Government	\$	14,888
Business-type activities:		
Water		29,579
Total depreciation expense	\$	44,467

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at February 28, 2005, were:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 57,131	\$ 0
Special Revenue Funds		
Major Street	0	23,760
Local Street	0	22,892
Enterprise Funds		
Water and Sewer	0	10,415
Agency Funds		
Sewer Assessment Collection	0	64
	\$ 57,131	\$ 57,131

All remaining balances generally resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at February 28, 2005, are expected to be repaid within one year.

VILLAGE OF MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2005

Interfund Transfers as of February 28, 2005, were:

	TRANSFERS	
	IN	OUT
<u>Primary Government</u>		
Major Street Fund	\$ 0	\$ 10,214
Local Street Fund	10,214	0
	<u>\$ 10,214</u>	<u>\$ 10,214</u>

F. Long-Term Debt

1. Primary Government

The following is a summary of debt transactions of the Village of Mesick for the year ended February 28, 2005:

Governmental Activities:

	REVENUE BONDS
Debt Payable at March 1, 2004	\$ 247,242
New Debt Incurred	0
Debt Retired	(10,000)
Debt Payable at February 28, 2005	<u>\$ 237,242</u>
Due within one year	<u>\$ 15,000</u>

Debt payable at February 28, 2005 is comprised of the following:

Revenue Bonds:

\$421,242 Water Supply System Revenue Bonds Due in annual installments of \$10,000 to \$20,000 through September 1, 2018; plus interest at 5.00%	<u>\$ 237,242</u>
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The annual requirements to amortize these debts outstanding as of February 28, 2005, including interest payments of \$323,879, are as follows:

<u>YEAR ENDING</u> <u>FEBRUARY 28,</u> 2005	REVENUE BONDS
PRINCIPAL	\$ 15,000
INTEREST	11,487
TOTAL	<u>\$ 26,487</u>

VILLAGE OF MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2005

2006		
PRINCIPAL	\$	15,000
INTEREST		10,737
TOTAL	\$	<u>25,737</u>
2007		
PRINCIPAL	\$	15,000
INTEREST		9,987
TOTAL	\$	<u>24,987</u>
2008		
PRINCIPAL	\$	15,000
INTEREST		9,237
TOTAL	\$	<u>24,237</u>
2009		
PRINCIPAL	\$	15,000
INTEREST		8,847
TOTAL	\$	<u>23,487</u>
2010-2014		
PRINCIPAL	\$	90,000
INTEREST		28,254
TOTAL	\$	<u>118,254</u>
2015-2018		
PRINCIPAL	\$	72,242
INTEREST		8,448
TOTAL	\$	<u>80,690</u>
GRAND TOTAL		
PRINCIPAL	\$	237,242
INTEREST		86,637
TOTAL	\$	<u><u>323,879</u></u>

IV. OTHER INFORMATION

A. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. During the year ended February 28, 2005, the Village carried commercial insurance to cover all risks of losses. The Village had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

B. Interest Income and Expense

For the year ended February 28, 2005, total interest/investment income was \$5,570 and total interest expense was \$12,112.

VILLAGE OF MESICK, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED FEBRUARY 28, 2005

	GENERAL FUND				MAJOR STREET FUND				LOCAL STREET FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<u>REVENUES</u>												
Taxes	\$ 67,000	\$ 67,000	\$ 62,941	\$ (4,059)	\$ 38,000	\$ 38,000	\$ 40,149	\$ 2,149	\$ 16,150	\$ 16,150	\$ 16,022	\$ (128)
Licenses and Permits	100	100	652	552	0	0	0	0	0	0	0	0
State Grants	47,000	47,000	46,017	(983)	0	0	0	0	0	0	0	0
Interest and Rents	34,000	34,000	34,212	212	800	800	379	(421)	25	25	20	(5)
Other Revenue	42,000	42,000	60,769	18,769	0	0	0	0	0	0	0	0
Total Revenues	\$ 190,100	\$ 190,100	\$ 204,591	\$ 14,491	\$ 38,800	\$ 38,800	\$ 40,528	\$ 1,728	\$ 16,175	\$ 16,175	\$ 16,042	\$ (133)
<u>EXPENDITURES</u>												
Legislative	\$ 31,740	\$ 51,933	\$ 51,493	440	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
General Government	122,686	145,190	143,228	1,962	0	0	0	0	0	0	0	0
Public Safety	0	2,000	1,840	160	0	0	0	0	0	0	0	0
Public Works	13,010	13,010	12,692	318	29,300	29,300	28,015	1,285	25,675	25,675	25,517	158
Culture and Recreation	2,797	2,500	18,157	(15,657)	0	0	0	0	0	0	0	0
Other Functions	20,024	26,024	26,681	(657)	0	0	0	0	0	0	0	0
Total Expenditures	\$ 190,257	\$ 240,657	\$ 254,091	\$ (13,434)	\$ 29,300	\$ 29,300	\$ 28,015	\$ 1,285	\$ 25,675	\$ 25,675	\$ 25,517	\$ 158
Excess (Deficiency) of Revenues Over Expenditures	\$ (157)	\$ (50,557)	\$ (49,500)	\$ 1,057	\$ 9,500	\$ 9,500	\$ 12,513	\$ 3,013	\$ (9,500)	\$ (9,500)	\$ (9,475)	\$ 25
<u>OTHER FINANCING SOURCES (USES)</u>												
Transfers In	\$ 0	\$ 0	\$ 0	0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,500	\$ 9,500	\$ 10,214	\$ 714
Transfers Out	0	0	0	0	(9,500)	(9,500)	(10,214)	(714)	0	0	0	0
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	0	\$ (9,500)	\$ (9,500)	\$ (10,214)	\$ (714)	\$ 9,500	\$ 9,500	\$ 10,214	\$ 714
Net Change in Fund Balance	\$ (157)	\$ (50,557)	\$ (49,500)	\$ 1,057	\$ 0	\$ 0	\$ 2,299	\$ 2,299	\$ 0	\$ 0	\$ 739	\$ 739
<u>FUND BALANCE</u> - Beginning of Year	0	0	471,662	471,662	0	0	51,216	51,216	0	0	4,121	4,121
<u>FUND BALANCE</u> - End of Year	\$ (157)	\$ (50,557)	\$ 422,162	\$ 472,719	\$ 0	\$ 0	\$ 53,515	\$ 53,515	\$ 0	\$ 0	\$ 4,860	\$ 4,860

VILLAGE OF MESICK, MICHIGAN

GENERAL FUND
BALANCE SHEET

FEBRUARY 28, 2005

ASSETS

Cash	
Checking and Money Market	\$ 55,595
Certificates of Deposit	296,729
Taxes Receivables	13,875
Due from Other Funds	
Major Street Fund	23,760
Local Street Fund	22,892
Water Fund	10,415
Sewer Assessment Collection Agency Fund	<u>64</u>
 TOTAL ASSETS	 \$ 423,330

LIABILITIES AND FUND BALANCE

LIABILITIES

Payroll Withholdings Payable	\$ 1,168
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FUND BALANCE

Unreserved	<u>422,162</u>
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TOTAL LIABILITIES AND FUND BALANCE	\$ 423,330
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VILLAGE OF MESICK, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2005

			VARIANCE FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>	<u>BUDGET</u>	<u>ACTUAL</u>	
Taxes	\$ 67,000	\$ 62,941	\$ (4,059)
Licenses and Permits	100	652	552
State Grants	47,000	46,017	(983)
Interest and Rents	34,000	34,212	212
Other Revenues	42,000	60,769	18,769
Total Revenues	\$ 190,100	\$ 204,591	\$ 14,491
<u>EXPENDITURES</u>			
Legislative	\$ 51,933	\$ 51,493	\$ 440
General Government	145,190	143,228	1,962
Public Safety	2,000	1,840	160
Public Works	13,010	12,692	318
Recreation and Cultural	2,500	18,157	(15,657)
Other Functions	26,024	26,681	(657)
Total Expenditures	\$ 240,657	\$ 254,091	\$ (13,434)
Excess of Revenues Over (Under) Expenditures	<u>\$ (50,557)</u>	<u>\$ (49,500)</u>	<u>\$ 1,057</u>
<u>FUND BALANCE</u> - Beginning of Year		<u>471,662</u>	
<u>FUND BALANCE</u> - End of Year		<u>\$ 422,162</u>	

VILLAGE OF MESICK, MICHIGAN

GENERAL FUND
ANALYSIS OF REVENUES

YEAR ENDED FEBRUARY 28, 2005

REVENUES

Taxes

Current Tax	\$	62,319
Property Tax Administration Fee		<u>622</u>

Total Taxes \$ 62,941

Licenses and Permits

Trailer Fees	\$	567
Building Permits		<u>85</u>

Total Licenses and Permits 652

State Grants

Sales Tax	\$	43,977
Telecommunications Right of Way		<u>2,040</u>

Total State Grants 46,017

Interest and Rents

Interest	\$	3,842
Equipment Rental		<u>30,370</u>

Total Interest and Rents 34,212

Other Revenue

Donations	\$	18,018
Wage Reimbursements		31,998
Sale of Timber		5,865
Miscellaneous		<u>4,888</u>

Total Other Revenue 60,769

TOTAL REVENUES \$ 204,591

VILLAGE OF MESICK, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES

YEAR ENDED FEBRUARY 28, 2005

EXPENDITURES

Legislative

Village Council

Personal Services

Salaries and Wages \$ 6,880

Supplies

Office Supplies 4,343

Other Services and Charges

Professional Services 11,203

Contracted Services 15,986

Repairs and Maintenance 3,771

Transportation 8,792

Community Promotions 518

Total Legislative \$ 51,493

General Government

President

Personal Services

Salaries and Wages \$ 4,880

Elections

Personal Services

Salaries and Wages \$ 324

Supplies

Office Supplies 513 837

Clerk's Office

Personal Services

Salaries and Wages \$ 14,600

Supplies

Office Supplies 792 15,392

Treasurer's Office

Personal Services

Salaries and Wages \$ 4,400

Supplies

Office Supplies 628 5,028

VILLAGE OF MESICK, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES

YEAR ENDED FEBRUARY 28, 2005

Building and Grounds			
Personal Services			
Salaries and Wages	\$	57,672	
Other Services and Charges			
Repairs and Maintenance		6,925	
Utilities		7,464	
Communication		2,431	
Capital Outlay		42,599	117,091
Total General Government			\$ 143,228
Public Safety			
Police Department			
Aid to Other Governments	\$	840	
Fire Department			
Aid to Other Governments		1,000	
Total Public Safety			1,840
Public Works			
Department of Public Works			
Other Services and Charges			
Hydrant Rental	\$	6,110	
Street Lighting			
Other Services and Charges			
Public Utilities		6,582	
Total Public Works			12,692
Recreation and Cultural			
Parks and Recreation			
Capital Outlay			18,157

VILLAGE OF MESICK, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES

YEAR ENDED FEBRUARY 28, 2005

Other Functions

Fringe Benefits

Social Security and Medicare	\$ 6,497	
Health and Life Insurance	7,077	
Michigan Employment Security Commission	681	14,255

Insurance and Bonds

Property and Liability Insurance		12,426
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Total Other Functions		26,681
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TOTAL EXPENDITURES		\$ 254,091
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VILLAGE OF MESICK, MICHIGAN

MAJOR STREET FUND
BALANCE SHEET

FEBRUARY 28, 2005

ASSETS

Cash	
Checking and Money Market	\$ 20,061
Certificates of Deposit	45,412
Due from Other Governmental Units	<u>11,802</u>
 TOTAL ASSETS	 <u><u>\$ 77,275</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Due to Other Funds	
General Fund	\$ 23,760

FUND BALANCE

Unreserved	
Designated for Street Improvements	<u>53,515</u>

TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 77,275</u></u>
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VILLAGE OF MESICK, MICHIGAN

MAJOR STREET FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2005

			VARIANCE FAVORABLE (UNFAVORABLE)	
	BUDGET	ACTUAL		
<u>REVENUES</u>				
State Grants				
Act 51 Distributions	\$ 38,000	\$ 40,149	\$	2,149
Interest and Rents				
Interest	800	379		(421)
Total Revenues	\$ 38,800	\$ 40,528	\$	1,728
<u>EXPENDITURES</u>				
Public Works				
Routine Maintenance				
Personal Services				
Salaries and Wages		\$ 4,583		
Employee Benefits		1,635		
Supplies				
Materials and Supplies		1,680		
Other Services and Charges				
Equipment Rentals		5,278		
Winter Maintenance				
Personal Services				
Salaries and Wages		4,025		
Employee Benefits		1,308		
Supplies				
Materials and Supplies		288		
Other Services and Charges				
Equipment Rentals		9,218		
Total Expenditures	\$ 29,300	\$ 28,015	\$	1,285
Excess of Revenues Over (Under) Expenditures	\$ 9,500	\$ 12,513	\$	3,013

VILLAGE OF MESICK, MICHIGAN

MAJOR STREET FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2005

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers (Out)			
Local Street Fund	(9,500)	(10,214)	(714)
Excess of Revenues Over (Under)			
Expenditures and Other Sources (Uses)	<u>\$ 0</u>	<u>\$ 2,299</u>	<u>\$ 2,299</u>
<u>FUND BALANCE</u> - Beginning of Year		<u>51,216</u>	
<u>FUND BALANCE</u> - End of Year		<u>\$ 53,515</u>	

VILLAGE OF MESICK, MICHIGAN

LOCAL STREET FUND
BALANCE SHEET

FEBRUARY 28, 2005

ASSETS

Cash	
Checking and Money Market	\$ 22,528
Due from Other Governmental Units	5,224
	<hr/>
TOTAL ASSETS	\$ 27,752
	<hr/> <hr/>

LIABILITIES AND FUND BALANCE

LIABILITIES

Due to Other Funds	
General Fund	\$ 22,892

FUND BALANCE

Unreserved	
Designated for Street Improvements	4,860
	<hr/>

TOTAL LIABILITIES AND FUND BALANCE	\$ 27,752
	<hr/> <hr/>

VILLAGE OF MESICK, MICHIGAN

LOCAL STREET FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2005

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>			
State Grants			
Act 51 Distributions	\$ 16,150	\$ 16,022	\$ (128)
Interest and Rents			
Interest	25	20	(5)
Total Revenues	\$ 16,175	\$ 16,042	\$ (133)
<u>EXPENDITURES</u>			
Public Works			
Routine Maintenance			
Personal Services			
Salaries and Wages		\$ 4,267	
Employee Benefits		1,521	
Supplies			
Operating Supplies		3,315	
Other Services and Charges			
Equipment Rental		5,400	
Contracted Services		520	
Winter Maintenance			
Personal Services			
Salaries and Wages		2,836	
Employee Benefits		938	
Supplies			
Operating Supplies		227	
Other Services and Charges			
Equipment Rental		6,493	
Total Expenditures	\$ 25,675	\$ 25,517	\$ 158
Excess of Revenues Over (Under) Expenditures	\$ (9,500)	\$ (9,475)	\$ 25

VILLAGE OF MESICK, MICHIGAN

LOCAL STREET FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2005

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In			
Major Street Fund	9,500	10,214	714
Excess of Revenues Over (Under)			
Expenditures and Other Sources (Uses)	<u>\$ 0</u>	<u>\$ 739</u>	<u>\$ 739</u>
<u>FUND BALANCE</u> - Beginning of Year		<u>4,121</u>	
<u>FUND BALANCE</u> - End of Year		<u>\$ 4,860</u>	

VILLAGE OF MESICK, MICHIGAN

WATER FUND
STATEMENT OF NET ASSETS

FEBRUARY 28, 2005

ASSETS

CURRENT ASSETS

Cash	
Checking and Money Market	\$ 91,684
Certificate of Deposit	88,426
Accounts Receivable	31,770
	<hr/>
Total Current Assets	\$ 211,880

CAPITAL ASSETS

Land	\$ 2,706
Buildings	1,500
Water Systems	964,681
	<hr/>
Total Capital Assets	\$ 968,887
Less Accumulated Depreciation	613,224
	<hr/>
Net Capital Assets	\$ 355,663
	<hr/>
TOTAL ASSETS	\$ 567,543

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Due to General Fund	\$ 10,415
Accrued Interest Payable	5,931
Revenue Bonds Payable - Current Portion	15,000
	<hr/>
Total Current Liabilities	\$ 31,346

LONG-TERM LIABILITIES

Revenue Bonds Payable (Net of Current Portion)	222,242
	<hr/>
Total Liabilities	\$ 253,588

NET ASSETS

Invested in Capital Assets, Net of Related Debt	\$ 118,421
Unrestricted	195,534
	<hr/>
Total Net Assets	\$ 313,955
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 567,543

VILLAGE OF MESICK, MICHIGAN

WATER FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

YEAR ENDED FEBRUARY 28, 2005

OPERATING REVENUES

Charges for Services	
Sales	\$ 77,192
Other Revenue	
Equipment Rental	12,710
	<hr/>
Total Operating Revenues	\$ 89,902

OPERATING EXPENSES

Plant	
Personal Services	
Salaries and Wages	\$ 8,211
Employee Benefits	2,674
Supplies	
Office and Computer Supplies	3,045
Other Services and Charges	
Repairs	720
Utilities	3,392
Equipment Rental	3,832
Depreciation	29,579
Miscellaneous	4,115
	<hr/>
Total Operating Expenses	\$ 55,568
	<hr/>
Operating Income (Loss)	\$ 34,334

NONOPERATING REVENUES (EXPENSES)

Interest Revenue	\$ 1,329
Interest and Fiscal Charges	(18,043)
	<hr/>
Total Nonoperating Revenues (Expenses)	\$ (16,714)

Change in Net Assets	\$ 17,620
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<u>NET ASSETS</u> - Beginning of Year	<hr/> 296,335
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<u>NET ASSETS</u> - End of Year	<hr/> <hr/> \$ 313,955
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VILLAGE OF MESICK, MICHIGAN

WATER FUND
STATEMENT OF CASH FLOWS

YEAR ENDED FEBRUARY 28, 2005

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows from Operating Activities	
Cash Received from Customers	\$ 65,215
Cash Payments to Suppliers for Goods and Services	(19,553)
Cash Payments to Employees for Services	(10,885)
Other Operating Income	<u>12,710</u>
Net Cash Provided by Operating Activities	<u>\$ 47,487</u>
Cash Flows from Capital and Related Financing Activities	
Payment of Revenue Bond	\$ (10,000)
Interest Payments	<u>(18,043)</u>
Net Cash Used for Capital and Related Financing Activities	<u>\$ (28,043)</u>
Cash Flows from Investing Activities	
Interest on Investments	<u>\$ 1,329</u>
Net Increase in Cash and Cash Equivalents	\$ 20,773

<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	<u>153,406</u>
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<u>CASH AND CASH EQUIVALENTS</u> - End of Year	<u><u>\$ 174,179</u></u>
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RECONCILIATION OF OPERATING INCOME
TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Income (Loss)	<u>\$ 34,334</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	\$ 29,579
(Increase) Decrease in Current Assets	
Accounts Receivable	(11,977)
Increase (Decrease) in Current Liabilities	
Due to Other Funds	<u>(4,449)</u>
Total Adjustments	<u>\$ 13,153</u>
<u>Net Cash Provided by Operating Activities</u>	<u><u>\$ 47,487</u></u>

VILLAGE OF MESICK, MICHIGAN

HEALTH CLINIC FUND
BALANCE SHEET

FEBRUARY 28, 2005

ASSETS

Cash	
Checking	\$ 8,099
	<hr/>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
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FUND BALANCE

Unreserved	
Designated for Health and Welfare	8,099
	<hr/>

TOTAL LIABILITIES AND FUND BALANCE	\$ 8,099
	<hr/>

VILLAGE OF MESICK, MICHIGAN

HEALTH CLINIC FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2005

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>			
Interest and Rents			
Rent Income	\$ 1,800	\$ 1,800	\$ 0
<u>EXPENDITURES</u>	1,800	0	1,800
Excess of Revenues Over (Under) Expenditures	<u>\$ 0</u>	\$ 1,800	<u>\$ 1,800</u>
<u>FUND BALANCE</u> - Beginning of Year		<u>6,299</u>	
<u>FUND BALANCE</u> - End of Year		<u>\$ 8,099</u>	

VILLAGE OF MESICK, MICHIGAN

SEWER ASSESSMENT COLLECTION AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED FEBRUARY 28, 2005

	BALANCE			BALANCE	
	3/1/2004	ADDITIONS	DELETIONS	2/28/2005	
<hr/>					
<u>ASSETS</u>					
Cash	\$ 9,387	\$ 18,700	\$ 26,032	\$ 2,055	
<hr/>					
<u>LIABILITIES</u>					
Due to Other Governments	\$ 9,323	\$ 18,700	\$ 26,032	\$ 1,991	
Due to Other Funds	64	0	0	64	
<hr/>					
Total Liabilities	\$ 9,387	\$ 18,700	\$ 26,032	\$ 2,055	
<hr/>					

VILLAGE OF MESICK, MICHIGAN
WATER SUPPLY SYSTEM REVENUE BONDS PAYABLE
FEBRUARY 28, 2005

<u>TITLE OF ISSUE</u>	Water Supply System Revenue Bonds		
<u>DATE OF ISSUE</u>	September 1, 1978		
<u>PURPOSE</u>	To finance a portion of the cost of acquiring and constructing a water supply system to serve the area.		
<u>INTEREST PAYABLE</u>	September 1, and March 1, or each year		
<u>AMOUNT OF ISSUE</u>	\$ 421,242		
<u>AMOUNT REDEEMED</u>			
Prior to Current Year	\$ 174,000		
During Current Year	<u>10,000</u>	<u>184,000</u>	
<u>BALANCE OUTSTANDING</u> - February 28, 2005		<u>\$ 237,242</u>	
<u>RATE OF INTEREST</u>	5% per annum on all maturities		

<u>DUE DATES</u>	<u>REQUIREMENTS</u>		
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
September 1, 2005	\$ 15,000	\$ 5,931	\$ 20,931
March 1, 2006		5,556	5,556
September 1, 2006	15,000	5,556	20,556
March 1, 2007		5,181	5,181
September 1, 2007	15,000	5,181	20,181
March 1, 2008		4,806	4,806
September 1, 2008	15,000	4,806	19,806
March 1, 2009		4,431	4,431
September 1, 2009	15,000	4,431	19,431
March 1, 2010		4,056	4,056
September 1, 2010	15,000	4,056	19,056
March 1, 2011		3,681	3,681
September 1, 2011	15,000	3,681	18,681
March 1, 2012		3,306	3,306
September 1, 2012	20,000	3,306	23,306
March 1, 2013		2,806	2,806
September 1, 2013	20,000	2,806	22,806
March 1, 2014		2,306	2,306
September 1, 2014	20,000	2,306	22,306

VILLAGE OF MESICK, MICHIGAN
WATER SUPPLY SYSTEM REVENUE BONDS PAYABLE
FEBRUARY 28, 2005

<u>DUE DATES</u>	<u>REQUIREMENTS</u>		
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
March 1, 2015		1,806	1,806
September 1, 2015	20,000	1,806	21,806
March 1, 2016		1,306	1,306
September 1, 2016	20,000	1,306	21,306
March 1, 2017		806	806
September 1, 2017	20,000	806	20,806
March 1, 2018		306	306
September 1, 2018	12,242	306	12,548
	<u>\$ 237,242</u>	<u>\$ 86,637</u>	<u>\$ 323,879</u>

VILLAGE OF MESICK, MICHIGAN

STATEMENT OF 2004 TAX ROLL
YEAR ENDED FEBRUARY 28, 2005

<u>TAXES ASSESSED</u> (State Taxable Valuation \$5,665,228)	\$ 62,319
General Fund - 11.00 Mills	
<u>TAXES COLLECTED</u>	
General Fund	<u>48,580</u>
<u>TAXES RETURNED DELINQUENT</u>	
General Fund	<u><u>\$ 13,739</u></u>

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CERTIFIED PUBLIC ACCOUNTANTS

May 27, 2005

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Village Council
Village of Mesick
Mesick, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Mesick, Michigan, as of and for the year ended February 28, 2005, which collectively comprise the Village of Mesick's basic financial statements and have issued our report thereon dated May 27, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Mesick's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village of Mesick's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Letter of Reportable Conditions.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described in the accompanying Letter of Reportable Conditions is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Mesick's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Village Council, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

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CERTIFIED PUBLIC ACCOUNTANTS

May 27, 2005

LETTER OF REPORTABLE CONDITIONS

To the Village Council
Village of Mesick
Mesick, Michigan

In planning and performing our audit of the basic financial statements of the Village of Mesick, Michigan for the year ended February 28, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements.

The relatively small number of people involved in the accounting functions of the Village and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Council must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Council and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

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CERTIFIED PUBLIC ACCOUNTANTS

May 27, 2005

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Village Council
Village of Mesick
Mesick, Michigan

During the course of our audit of the basic financial statements of the Village of Mesick, Michigan, for the year ended February 28, 2005, we noted the following items which we feel deserve comment:

Property Tax Administration Fee

The Village is charging a 1% property tax administration fee. The Village has determined that authorized costs of tax collection will be repeatedly in excess of revenue generated by the administration fee but has not formally taken action to write off this loss. We recommend that the Village keep subsidiary records which reflect property tax administration fee collections and costs and that the board pass a motion to write off the loss annually.

Reportable Condition in Internal Controls

As part of our audit of the Village we considered the internal control structure in order to determine our auditing procedures. We are issuing a separate letter which addresses reportable conditions.

Act 621 (Uniform Budgeting and Accounting Act)

The General Fund expenditures exceeded the budgeted amount. These overages were the result of no budgeted amounts for the Playscape. Two items in the General Fund exceeded the budget. The Village Council should monitor its budget and make amendments prior to incurring expenditures in excess of budgeted amounts. All amendments should be approved by the Village Council and recorded in the official minutes. In addition, the budgets adopted did not include beginning fund balance or estimated ending fund balance. These amounts should be included in future budgets adopted by the Village.

Capitalization Policy

The Village has not established a capitalization policy for accounting for its fixed assets as required by GASB 34, effective March 1, 2004. We recommend implementing a policy immediately to comply with GASB 34 requirements.

Computerization of Records

With the ever increasing volume of financial transactions, we recommend that the Village explore the possibility of purchasing a commercial accounting computer software package. We are available to submit a proposal to install Peachtree software and provide training. We believe this would streamline and enhance the Village's accounting and financial reporting.

We would like to thank the Council for awarding our firm the audit assignment of the Village.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.